MCI

MCI Telecommunications Corporation

1801 Pennsylvania Avenue N.W.
Washington, D.C. 20006
202 887 2605

Mary J. Sisak
Senior Counsel
Regulatory Law

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EX PARTE

October 15, 1996

RECEIVED

OCT 15 1996

Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, D.C. 20554

Re: CC Docket No. 96-45: Federal-State Joint Board on Universal Service

Dear Mr. Caton:

Today, MCI sent a letter to each Joint Board Commissioner concerning its education proposal in the above-referenced docket. A copy of the letters sent is attached hereto.

Please file this notice and the attached letters in this proceeding.

Sincerely,

Mary J. Sisak

Mary J. Sisak

Attachments

No. of Copies rec'd 0+2
List A B C D E

MCI Communications Corporation
1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 3351
FAX 202 887 2446

Jonathan B. Sallet
Chief Policy Counsel

October 15, 1996

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, DC 20554

Dear Chairman Hundt:

On June 27, 1996, MCI filed our proposal, "Connecting Students and Teachers to the Internet," which describes how the new universal service fund established under Section 254 of the Telecommunications Act of 1996 can be used to enhance and improve education. Today, we are providing the Joint-Board and Federal Communications Commission with an estimate of the size of the universal service fund required to provide schools with the telecommunications services needed to access information services such as the Internet. Our estimate is based on the principles articulated in our proposal, namely:

- Internet links to schools and libraries at no more than their total element long run incremental cost (TELRIC);
- Tiered below-cost discounts for schools and libraries in rural and low income areas; and
- Targeted discounts for high-bandwidth (i.e., 1.5mbps) connectivity;

For purposes of estimating the total annual subsidy, we used Department of Education statistics on the number and location (urban/suburban vs. rural) of schools and libraries in the nation; assumed that 25 percent of all schools and libraries are located in low-income areas; and calculated the TELRIC for T-1 service based on the Hatfield model. We also assumed an 100% take-rate.

With those assumptions and for these services, the total annual subsidy would be $531,163, 884.

I would be happy to discuss all or part of our proposal, including our estimates, with you at any time.

Sincerely,

Jonathan B. Sallet

Enclosure
cc: William F. Caton, Secretary, Federal Communications Commission

Connecting Students and Teachers to the Internet: An MCI Proposal

Internet Access Service Arrangement: T-1 access from school/library to Internet provider (includes channel terminal to central office and interoffice facility to ISP)

TELRIC Monthly Estimate Cost

	Urban/Sub.	Rural
Channel Term	$80	$150
Interoffice	$500	$800
Total	$580	$950

MCI Estimate

Breakdown of Schools and Libraries (Total =127,355)

	Urban/Suburban			Rural		
	High/Med. Income	Low Income	Total	High/Med. Income	Low Income	Total
Schools	45,569	15,190	60,759	38,045	12,682	50,726
Libraries	5,974	1,991	7,965	5,929	1,976	7,905
Total	51,543	17,181	68,724	43,973	14,658	58,631

Department of Education, *NCES Digest of Education Statistics*, 1995; with 25% of schools and libraries in low income areas.

Discount Structure

	Urban/Suburban		Rural	
	High/Med. Income	Low Income	High/Med. Income	Low Income
Tiered Discounts				
(D1) Low Income	n/a	50%	n/a	40%
(D2) Rural	n/a	n/a	40%	50%
Targeted Discount				
(D3) High-Bandwidth	20%	20%	20%	20%
Total Effective	20%	60%	52%	76%

Formula: Effective discount = (1-((1-D1)*(1-D2)*(1-D3)))
D1=low income discount D2=rural discount D3=targeted discount.

Effective Discounts

	Urban/Sub.	Rural
High/Med. Inc.	20%	52%
Low Income	60%	76%

Monthly Subsidy per School/Library

	Urban/Sub.	Rural
High/Med. Inc.	$ 120	$ 490
Low Income	$ 350	$ 720

Monthly Payment by School/Library

	Urban/Sub.	Rural
High/Med. Inc.	$460	$460
Low Income	$230	$230

Total Monthly Subsidy (assuming 100% take rate): $ 44,298,983
Total Annual Subsidy (assuming 100% take rate): $ 531,587,790

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Jonathan B. Sallet
Chief Policy Counsel

October 15, 1996

The Honorable Rachelle B. Chong
Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, DC 20554

Dear Commissioner Chong:

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1801 Pennsylvania Avenue, NW
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Jonathan B. Sallet
Chief Policy Counsel

October 15, 1996

The Honorable Susan Ness
Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 832
Washington, DC 20554

Dear Commissioner Ness:

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Jonathan B. Sallet
Chief Policy Counsel

October 15, 1996

The Honorable Julia Johnson
Commissioner
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Dear Commissioner Johnson:

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Jonathan B. Sallet
Chief Policy Counsel

October 15, 1996

The Honorable Kenneth McClure
Vice President
Missouri Public Service Commission
301 W. High Street, Suite 530
Jefferson City, MO 65102

Dear Vice President McClure:

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Jonathan B. Sallet
Chief Policy Counsel

October 15, 1996

The Honorable Sharon L. Nelson
Chairman
Washington Utilities and Transportation
Commission
P.O. Box 47250
Olympia, WA 98504-7250

Dear Chairman Nelson:

On June 27, 1996, MCI filed our proposal, "Connecting Students and Teachers to the Internet," which describes how the new universal service fund established under Section 254 of the Telecommunications Act of 1996 can be used to enhance and improve education. Today, we are providing the Joint-Board and Federal Communications Commission with an estimate of the size of the universal service fund required to provide schools with the telecommunications services needed to access information services such as the Internet. Our estimate is based on the principles articulated in our proposal, namely:

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Jonathan B. Sallet
Chief Policy Counsel

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The Honorable Laska Schoenfelder
Commissioner
South Dakota Public Utilities Commission
500 E. Capital Avenue
Pierre, SD 57501

Dear Commissioner Schoenfelder:

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Martha S. Hogerty
Public Counsel for the State of Missouri
P.O. Box 7800
Harry S. Truman Building, Room 250
Jefferson, City, MO 65102

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- Internet links to schools and libraries at no more than their total element long run incremental cost (TELRIC);
- Tiered below-cost discounts for schools and libraries in rural and low income areas; and
- Targeted discounts for high-bandwidth (i.e., 1.5mbps) connectivity;

For purposes of estimating the total annual subsidy, we used Department of Education statistics on the number and location (urban/suburban vs. rural) of schools and libraries in the nation; assumed that 25 percent of all schools and libraries are located in low-income areas; and calculated the TELRIC for T-1 service based on the Hatfield model. We also assumed an 100% take-rate.

With those assumptions, and for these services, the total annual subsidy would be $531,163, 884.

I would be happy to discuss all or part of our proposal, including our estimates, with you at any time.

Sincerely,

Jonathan B. Sallet

Enclosure
cc: William F. Caton, Secretary, Federal Communications Commission

Connecting Students and Teachers to the Internet: An MCI Proposal

Internet Access Service Arrangement: T-1 access from school/library to Internet provider (includes channel terminal to central office and interoffice facility to ISP)

TELRIC Monthly Estimate Cost

	Urban/Sub.	Rural
Channel Term	$80	$150
Interoffice	$500	$800
Total	$580	$950

MCI Estimate

Breakdown of Schools and Libraries (Total =127,355)

	Urban/Suburban			Rural		
	High/Med. Income	Low Income	Total	High/Med. Income	Low Income	Total
Schools	45,569	15,190	60,759	38,045	12,682	50,726
Libraries	5,974	1,991	7,965	5,929	1,976	7,905
Total	51,543	17,181	68,724	43,973	14,658	58,631

Department of Education, *NCES Digest of Education Statistics*, 1995; with 25% of schools and libraries in low income areas.

Discount Structure

	Urban/Suburban		Rural	
	High/Med. Income	Low Income	High/Med. Income	Low Income
Tiered Discounts				
(D1) Low Income	n/a	50%	n/a	40%
(D2) Rural	n/a	n/a	40%	50%
Targeted Discount				
(D3) High-Bandwidth	20%	20%	20%	20%
Total Effective	20%	60%	52%	76%

Formula: Effective discount = (1-((1-D1)*(1-D2)*(1-D3)))
D1=low income discount D2=rural discount D3=targeted discount.

Effective Discounts

	Urban/Sub.	Rural
High/Med. Inc.	20%	52%
Low Income	60%	76%

Monthly Subsidy per School/Library

	Urban/Sub.	Rural
High/Med. Inc.	$ 120	$ 490
Low Income	$ 350	$ 720

Monthly Payment by School/Library

	Urban/Sub.	Rural
High/Med. Inc.	$460	$460
Low Income	$230	$230

Total Monthly Subsidy (assuming 100% take rate): $ 44,298,983
Total Annual Subsidy (assuming 100% take rate): $ 531,587,790

10/15/96